Chapter 12 Marketing Channels: Delivering Customer Value

1) Which of the following is NOT a typical supply chain member?
A) resellers
B) customers
C) intermediaries
D) government agencies
E) raw materials supplier
Answer: D
Diff: 1 Page Ref: 337
Skill: Concept
Objective: 12-1

2) _____ the manufacturer or service provider is the set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service.
A) Downstream from
B) Upstream from
C) Separated from
D) Congruous to
E) Parallel with
Answer: B
Diff: 2 Page Ref: 337
Skill: Concept
Objective: 12-1

3) Another term for the supply chain that suggests a sense and respond view of the market is _____.
A) supply and demand chain
B) demand chain
C) channel of distribution
D) distribution channel
E) physical distribution
Answer: B
Diff: 3 Page Ref: 338
Skill: Concept
Objective: 12-1

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4) When suppliers, distributors, and customers partner with each other to improve the performance of the entire system, they are participating in a _____.
A) value delivery network
B) channel of distribution
C) supply chain
D) demand chain
E) all of the above
Answer: A
Diff: 1 Page Ref: 338
Skill: Concept
Objective: 12-1

5) Most producers today sell their goods to _____.
A) final users
B) final users and marketing members
C) intermediaries
D) the government at various levels
E) competitors
Answer: C
Diff: 2 Page Ref: 339
Skill: Concept
Objective: 12-1

6) A company's channel decisions directly affect every _____.
A) channel member
B) marketing decision
C) customer's choices
D) employee in the channel
E) competitor's actions
Answer: B
Diff: 2 Page Ref: 339
Skill: Concept
Objective: 12-1

7) Distribution channel decisions often involve _____ with other firms, particularly those that involve contracts or relationships with channel partners.
A) short-term commitments
B) long-term commitments
C) major problems
D) financial losses
E) disagreements
Answer: B
Diff: 3 Page Ref: 339
Skill: Concept
Objective: 12-1

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8) Joe Blanco, like other producers, has discovered that his intermediaries usually offer his firm more than it can achieve on its own. Which of the following is most likely an advantage that Joe creates by working with intermediaries?
A) financial support
B) fast service
C) scale of operation
D) working relationships with foreign distributors
E) promotional assistance
Answer: C
Diff: 2 Page Ref: 339
Skill: Concept
Objective: 12-1

9) From the economic system's point of view, the role of marketing intermediaries is to transform the assortment of products made by producers into the assortment of products wanted by _____.
A) channel members
B) distributors
C) consumers
D) manufacturers
E) marketers
Answer: C
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

10) Producers benefit from using intermediaries because they _____.
A) offer greater efficiency in making goods available to target markets
B) bring a fresh point of view to strategy development
C) eliminate risk
D) are generally backlogged with orders
E) refuse to store products for longer than a few days
Answer: A
Diff: 3 Page Ref: 339
Skill: Concept
Objective: 12-1

11) Intermediaries play an important role in matching _____.
A) dealer with customer
B) supply and demand
C) product to region
D) manufacturer to product
E) information and promotion
Answer: B
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

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12) Channel members add value by bridging the major gaps of _____ that separate goods and services from those who would use them.
A) time, place, and form
B) place, possession, and form
C) time, place, and possession
D) place, time, and need
E) place, need, and distribution
Answer: C
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

13) Which of the following is NOT a key function that intermediaries play in completing transactions?
A) promotion
B) information
C) matching
D) financing
E) negotiation
Answer: E
Diff: 3 Page Ref: 340
Skill: Concept
Objective: 12-1

14) Which of the following is NOT a key function that intermediaries play in helping to fulfill a completed transaction?
A) physical distribution
B) promotion
C) financing
D) risk taking
E) storing goods
Answer: B
Diff: 3 Page Ref: 340
Skill: Concept
Objective: 12-2

15) In marketing terms, we say that the number of intermediary levels indicates the _____ of a channel.
A) depth
B) complexity
C) involvement
D) length
E) width
Answer: D
Diff: 1 Page Ref: 341
Skill: Concept
Objective: 12-1

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16) To a producer of goods, a greater number of channel levels means _____ and greater channel complexity.
A) less distance between producer and end consumer
B) less control
C) more potential ideas
D) higher taxes
E) fewer channel partners
Answer: B
Diff: 2 Page Ref: 341
Skill: Concept
Objective: 12-1

17) All of the institutions in a channel are connected by various flows. These include physical flow, flow of ownership, payment flow, information flow, and _____ flow.
A) promotion
B) acquisition
C) customer
D) return product
E) by-product
Answer: A
Diff: 3 Page Ref: 341
AACSB: Communication
Skill: Concept
Objective: 12-1

18) A distribution channel is more than a collection of firms connected by various flows; it is a(n) _____ in which people and companies interact to accomplish individual, company, and channel goals.
A) added value chain
B) complex behavioral system
C) corporate marketing system
D) vertical marketing system
E) multichannel system
Answer: B
Diff: 2 Page Ref: 342
AACSB: Communication
Skill: Concept
Objective: 12-2

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19) An advantage of a channel of distribution over selling direct to consumers is that each channel member plays a _____ in the channel.
A) time-saving part
B) specialized role
C) decisional role
D) informational role
E) disciplinary role
Answer: B
Diff: 2 Page Ref: 342
Skill: Concept
Objective: 12-2

20) _____ conflict, which occurs between different levels of the same channel, is more common than _____ conflict, which occurs among firms at the same level of the channel.
A) Horizontal; vertical
B) Vertical; horizontal
C) Contractual; corporate
D) Corporate; franchise
E) Wholesaler; retailer
Answer: B
Diff: 2 Page Ref: 342
Skill: Concept
Objective: 12-2

21) Historically, conventional channels have lacked the leadership to _____.
A) assign channel member roles and attain efficiency
B) attain efficiency and assign member roles
C) assign member roles and manage conflict
D) set standard pricing and promotions
E) set standard pricing and packaging
Answer: C
Diff: 3 Page Ref: 343
AACSB: Communication
Skill: Concept
Objective: 12-2

22) A conventional distribution channel consists of one or more _____ producers, wholesalers, and retailers.
A) product-related
B) independent
C) contract
D) estranged
E) merchant
Answer: B
Diff: 2 Page Ref: 344
Skill: Concept
Objective: 12-2

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23) A channel consisting of one or more independent producers, wholesalers, or retailers that seek to maximize their own profits—even at the expense of profits for the channel as a whole—is a(n) _____.
A) vertical marketing system
B) conventional distribution channel
C) independent channel allocation
D) corporate VMS
E) administered vertical marketing system
Answer: B
Diff: 2 Page Ref: 344
Skill: Concept
Objective: 12-2

24) An advantage of a vertical marketing system (VMS) is that it acts as a _____ system.
A) unified
B) more efficient
C) modern
D) customer-driven
E) task-driven
Answer: A
Diff: 3 Page Ref: 344
Skill: Concept
Objective: 12-2

25) A corporate VMS has the advantage of controlling the entire distribution chain under _____.
A) a profit-maximizing strategic plan
B) single ownership
C) mass distribution
D) a few intermediaries
E) little control
Answer: B
Diff: 1 Page Ref: 344
Skill: Concept
Objective: 12-2

26) Which of the following are the three major types of vertical marketing systems?
A) corporate, contractual, and chain
B) contractual, corporate, and independent
C) contractual, corporate, and administered
D) administered, independent, and franchised
E) contractual, corporate, and task
Answer: C
Diff: 2 Page Ref: 344
Skill: Concept
Objective: 12-2

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27) A distinguishing feature of a contractual VMS is that coordination and conflict management among the independent members of the channel are attained through _____.
A) agents and brokers
B) working partnerships
C) limited liability incorporation
D) contractual agreements
E) natural competitive forces
Answer: D
Diff: 1 Page Ref: 345
AACSB: Communication
Skill: Concept
Objective: 12-2

28) The most common type of contractual agreement in business is the _____.
A) franchise organization
B) vertical marketing system
C) conventional marketing channel
D) corporate VMS
E) administered VMS
Answer: A
Diff: 3 Page Ref: 345
Skill: Concept
Objective: 12-2

29) Leadership in which type of marketing system is assumed not through common ownership or contractual ties but through the size and power of one or a few dominant channel members?
A) horizontal marketing system
B) administered VMS
C) corporate VMS
D) multichannel distribution system
E) conventional marketing channel
Answer: B
Diff: 2 Page Ref: 345
Skill: Concept
Objective: 12-2

30) In a _____, two or more companies at one level join together to develop a new marketing opportunity.
A) franchise
B) horizontal marketing system
C) corporate VMS
D) multichannel distribution system
E) conventional distribution channel
Answer: B
Diff: 1 Page Ref: 345
Skill: Concept
Objective: 12-2

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31) Hybrid marketing systems are also called _____.
A) dual distribution systems
B) multichannel distribution systems
C) administered franchises
D) horizontal multichannel systems
E) contractual marketing systems
Answer: B
Diff: 2 Page Ref: 346
Skill: Concept
Objective: 12-2

32) As marketing manager for Globe Imports and Exports, you want to start reaping the benefits of a multichannel distribution system. You will likely enjoy all of the following EXCEPT which one?
A) expanded sales
B) expanded market coverage
C) selling at a higher gross margin
D) opportunities to tailor products and services to the needs of diverse segments
E) A and C
Answer: C
Diff: 3 Page Ref: 346
Skill: Concept
Objective: 12-2

33) The use of multichannel systems in the United States is _____.
A) decreasing
B) increasing
C) holding steady
D) spreading abroad fast
E) declining abroad
Answer: B
Diff: 2 Page Ref: 346
Skill: Concept
Objective: 12-2

34) The major disadvantage of a multichannel system is that it is harder to control and it can generate _____.
A) channel conflict
B) less net profit
C) fewer domestic sales
D) inefficiencies
E) declining employee morale
Answer: A
Diff: 2 Page Ref: 346
Skill: Concept
Objective: 12-2

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35) Due in a large part to advances in technology, _____ is a major trend whereby product and service producers are bypassing intermediaries and going directly to final buyers, or radically new types of channel intermediaries are emerging to displace traditional ones.
A) the vertical marketing system
B) the corporate marketing system
C) disintermediation
D) the corporate merger
E) the hostile takeover
Answer: C
Diff: 2 Page Ref: 347
AACSB: Use of IT
Skill: Concept
Objective: 12-2

36) In many industries, traditional intermediaries are dropping by the wayside because of changes in _____ and the growth of _____ marketing.
A) federal laws; business-to-business
B) state and local laws; target
C) franchise structure; independent
D) technology; direct and online
E) channel design; retail
Answer: D
Diff: 2 Page Ref: 347
AACSB: Use of IT
Skill: Concept
Objective: 12-2

37) Designing a channel system calls for analyzing consumer needs, setting channel objectives, _____ and evaluation.
A) establishing a budget
B) identifying major channel alternatives
C) seeking regulatory approval
D) seeking legal advice
E) measuring objectives
Answer: B
Diff: 2 Page Ref: 348
Skill: Concept
Objective: 12-3

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38) Which of the following should be the first step in designing a marketing channel?
A) identifying channel objectives
B) identifying what consumers want from the channel
C) analyzing channel alternatives
D) evaluating intermediaries
E) exploring international opportunities
Answer: B
Diff: 2 Page Ref: 349
Skill: Concept
Objective: 12-3

39) To increase a channel's service level, it must provide a greater assortment of products, more add-on services, and _____.
A) lower prices
B) more efficiency
C) faster delivery
D) better terms
E) follow-up
Answer: C
Diff: 3 Page Ref: 349
Skill: Concept
Objective: 12-3

40) Companies should state their channel objectives in terms of targeted levels of _____.
A) co-op advertising
B) efficiency
C) customer service
D) conflict reduction
E) profitability
Answer: C
Diff: 2 Page Ref: 350
AACSB: Communication
Skill: Concept
Objective: 12-3

41) When a company is identifying its major channel alternatives, it should consider its choices in terms of types, number, and _____ of intermediaries.
A) size
B) power
C) responsibilities
D) capacity
E) none of the above
Answer: C
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3

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42) Which type of product might require a more direct marketing channel to avoid delays and too much handling?
A) lower-priced products
B) perishable products
C) high-priced products
D) products in their maturity stage
E) products in their decline stage
Answer: B
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3

43) When determining the number of channel members to use at each level, three strategies are available: intensive, exclusive, and _____ distribution.
A) multichannel
B) selective
C) international
D) direct
E) extensive
Answer: B
Diff: 1 Page Ref: 350
Skill: Concept
Objective: 12-3

44) Sometimes a producer chooses only a few dealers in a territory to distribute its products or services. Generally these dealers are given a right to _____ distribution.
A) exclusive
B) selective
C) intensive
D) administered
E) corporate
Answer: A
Diff: 1 Page Ref: 351
Skill: Concept
Objective: 12-3

45) Which type of distribution is used when the producer wants more than one, but fewer than all, of the intermediaries who are willing to carry its products?
A) exclusive
B) selective
C) intensive
D) administered
E) corporate
Answer: B
Diff: 1 Page Ref: 351
Skill: Concept
Objective: 12-3

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46) When establishing the responsibilities of channel members, the producer establishes a list price, sets discounts for intermediaries, and defines each channel member's _____.
A) sales volume
B) territory
C) legal rights
D) customers
E) mission
Answer: B
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

47) Channel members should be evaluated using all of the following criteria EXCEPT which one?
A) economic factors
B) control
C) adaptive criteria
D) channel leadership
E) none of the above
Answer: D
Diff: 3 Page Ref: 351
Skill: Concept
Objective: 12-3

48) When a company compares the likely sales, costs, and profitability of different channel alternatives, it is using _____ criteria to evaluate its channel options.
A) selective
B) adaptive
C) economic
D) control
E) distribution
Answer: C
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

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49) It is common for international marketers to _____ their channel strategies for each country.
A) extend
B) adapt
C) restrict
D) seek approval for
E) eliminate
Answer: B
Diff: 1 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

50) China and India each contain more than one billion people. However, companies can access only a small percentage of these potential markets due to _____.
A) inadequate distribution systems
B) indifference toward Western products
C) high regional taxes
D) the religious caste system
E) insurmountable language barriers
Answer: A
Diff: 3 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

51) Marketing channel management calls for selecting, managing, _____, and evaluating channel members over time.
A) reducing conflict
B) reducing waste
C) motivating
D) pruning
E) all of the above
Answer: C
Diff: 2 Page Ref: 352
Skill: Concept
Objective: 12-4

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52) A company should think of its intermediaries as both its _____ and _____.
A) competitors; partners
B) customers; partners
C) competitors; marketers
D) customers; employees
E) competitors; customers
Answer: B
Diff: 2 Page Ref: 353
Skill: Concept
Objective: 12-4

53) Most companies practice strong PRM to forge long-term relationships with channel members. What does PRM stand for?
A) primary relationship management
B) potential relationship management
C) perennial relationship management
D) partner relationship management
E) personnel roster maintenance
Answer: D
Diff: 1 Page Ref: 353
AACSB: Communication
Skill: Concept
Objective: 12-4

54) Sometimes a seller requires its dealers to abstain from handling competitors' products in an arrangement called _____.
A) exclusive distribution
B) exclusive dealing
C) selective distribution
D) exclusive pricing
E) disintermediation
Answer: B
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

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55) Exclusive dealing is legal as long as it does not _____ or tend to create a monopoly and as long as both parties enter into the agreement _____.
A) substantially lessen competition; coercively
B) restrict trade; for a cause
C) substantially lessen competition; voluntarily
D) interfere with competitors; forcefully
E) create a smaller market; permanently
Answer: C
Diff: 3 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

56) Exclusive territorial agreements are normal in _____.
A) vertical marketing systems
B) franchises
C) integrated marketing systems
D) horizontal marketing systems
E) supply chain management
Answer: B
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

57) If the producer of a strong brand agrees to sell its brand to a dealer only if the dealer will take some or all of the rest of the line, the result is _____.
A) exclusive distribution
B) exclusive dealing
C) always illegal
D) a tying agreement
E) disintermediation
Answer: D
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

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58) Marketing logistics involves getting the right product to the right customer in the right place at the right time. Which one of the following is NOT included in this process?
A) planning the physical flow of goods and services
B) implementing the plan for the flow of goods and services
C) controlling the physical flow of goods, services, and information
D) gathering customer's ideas for new products
E) A and C
Answer: D
Diff: 1 Page Ref: 356
Skill: Concept
Objective: 12-5

59) Marketing logistics involves which of the following distribution flows?
A) outbound and inbound
B) outbound, inbound, and reverse
C) inbound and reverse
D) outbound and reverse
E) outbound
Answer: B
Diff: 2 Page Ref: 356
Skill: Concept
Objective: 12-5

60) Which of the following is NOT an area of responsibility for a logistics manager?
A) information systems
B) warehousing
C) marketing
D) inventory
E) purchasing
Answer: C
Diff: 2 Page Ref: 356-357
Skill: Concept
Objective: 12-5

61) Which of the following innovations has created opportunities for significant gains in distribution efficiency?
A) tying agreements
B) Web-based logistics systems
C) partner relationship management
D) contractual vertical marketing systems
E) storage warehouses
Answer: B
Diff: 2 Page Ref: 357
AACSB: Use of IT
Skill: Concept
Objective: 12-5

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62) The goal of marketing logistics should be to provide a _____ level of customer service at the least cost.
A) maximum
B) targeted
C) moderate
D) minimum
E) competitive
Answer: B
Diff: 2 Page Ref: 357
Skill: Concept
Objective: 12-5

63) The difference between distribution centers and storage warehouses is that the former are designed to _____.
A) store goods for longer periods
B) hold larger volumes
C) move goods rather than just store them
D) primarily be owned by the manufacturer
E) be automated
Answer: C
Diff: 2 Page Ref: 358
Skill: Concept
Objective: 12-5

64) To reduce inventory management costs, many companies use a system called _____, which involves carrying only small inventories of parts or merchandise, often only enough for a few days of operation.
A) reduction-inventory management
B) just-in-time logistics
C) limited inventory logistics
D) supply chain management
E) economic order quantity
Answer: B
Diff: 2 Page Ref: 359
AACSB: Use of IT
Skill: Concept
Objective: 12-5

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65) Through the use of _____, or "smart tag" technology, a company is able to locate exactly where a product is within the supply chain.
A) RFID
B) PRM
C) VMS
D) IT
E) 3PL
Answer: A
Diff: 2 Page Ref: 359
AACSB: Use of IT
Skill: Concept
Objective: 12-5

66) Which of the following transportation modes is used for digital products?
A) trucks
B) rail
C) the Internet
D) air
E) ship
Answer: C
Diff: 1 Page Ref: 359
AACSB: Use of IT
Skill: Concept
Objective: 12-5

67) In choosing a transportation mode for a product, shippers must balance the considerations of speed, dependability, cost, and _____.
A) weight
B) customer choice
C) availability
D) distance
E) company reputation
Answer: C
Diff: 3 Page Ref: 360
Skill: Concept
Objective: 12-5

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68) In the proper order, identify the correct terms for these intermodal transportation combinations: rail and truck, water and truck, water and rail.
A) fishyback; airtruck; trainship
B) piggyback; airtruck; fishyback
C) trainship; fishyback; piggyback
D) piggyback; fishyback; trainship
E) piggyback, fishyback; birdyback
Answer: D
Diff: 2 Page Ref: 360
Skill: Concept
Objective: 12-5

69) Companies manage their supply chains through _____.
A) skilled operators
B) information
C) the Internet
D) transportation modes
E) competitors
Answer: B
Diff: 2 Page Ref: 360
AACSB: Communication
Skill: Concept
Objective: 12-5

70) Using _____, retailers can share real-time data on sales and current inventory levels with suppliers who take responsibility for ordering and delivering products to retailers, thereby saving time and money.
A) dual distribution modes
B) continuous inventory replenishment systems
C) the Internet
D) their own trucking and distribution systems
E) integrated distribution
Answer: B
Diff: 2 Page Ref: 361
AACSB: Use of IT
Skill: Concept
Objective: 12-5

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71) Lancaster Box Company wants to provide better customer service while trimming distribution costs through teamwork, both inside the company and among all the marketing channel organizations. Lancaster Box is thinking of _____.
A) integrated logistics management
B) supply chain management
C) customer relationship management
D) horizontal marketing system
E) disintermediation
Answer: A
Diff: 2 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

72) What is the goal of integrated supply chain management?
A) to reduce costs
B) to increase services with minimal cost through teamwork
C) to harmonize all of the company's logistics decisions
D) to reduce conflict and increase cooperation among channel members
E) all of the above
Answer: E
Diff: 3 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

73) Smart companies coordinate their logistics strategies and forge strong partnerships with suppliers and customers to improve customer service and reduce channel costs through _____.
A) cross-functional teams
B) cross-company teams
C) partnering
D) cross-functional, cross-company teams
E) segregated departmentalization
Answer: D
Diff: 3 Page Ref: 362
AACSB: Communication
Skill: Concept
Objective: 12-5

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74) The success of each channel member depends on the performance of _____.
A) key channel members
B) the entire supply chain
C) the channel captain
D) the manufacturer
E) the wholesaler
Answer: B
Diff: 2 Page Ref: 362
Skill: Concept
Objective: 12-5

75) Today, a growing number of firms now outsource some or all of their logistics to _____.
A) cross-functional teams
B) disintermediaries
C) channel members
D) third-party logistics providers
E) competitors
Answer: D
Diff: 1 Page Ref: 362
Skill: Concept
Objective: 12-5

76) In designing its marketing channel, Chairs for Every Occasion has moved from a make-and-sell view of its business, which focused on productive inputs and factory capacity as a starting point for marketing planning, to a sense-and respond view, which begins instead with the needs of target customers. With this new view, Chairs for Every Occasion is developing its _____.
A) supply chain
B) wholesaler chain
C) demand chain
D) logistics
E) vertical marketing system
Answer: C
Diff: 3 Page Ref: 338
AACSB: Reflective Thinking
Skill: Application
Objective: 12-1

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77) Proud Pets, a producer of clothing and accessories for pets, has recently partnered with a regional chain of pet stores. Which of the following would Proud Pets be LEAST likely to expect from its new channel member?
A) promoting its products through advertising
B) assembling and packaging its products for final sale
C) distributing relevant marketing research information
D) identifying raw materials and other productive inputs
E) negotiating on its products' prices
Answer: D
Diff: 2 Page Ref: 340
AACSB: Reflective Thinking
Skill: Application
Objective: 12-1

78) Steve's Physco Skates sells its products to Wal-Mart, who then sells them to the consumer. This is an example of a(n) _____.
A) direct marketing channel
B) producer channel
C) indirect marketing channel
D) retailer channel
E) corporate vertical marketing system
Answer: C
Diff: 1 Page Ref: 341
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

79) Joanie Calvert is experiencing a disagreement with intermediaries in the channel over who should do what and for what rewards. Joanie is experiencing _____.
A) channel delusion
B) channel conflict
C) channel disintermediation
D) channel mismanagement
E) channel intermediation
Answer: B
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

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80) When two Taco Bell restaurants have a disagreement over who should be able to sell in quantity at a discount to the local high school band, they are in a _____ conflict.
A) vertical
B) problematic
C) no-win
D) horizontal
E) functional
Answer: D
Diff: 2 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

81) Staples Office Supply opened an online store that created competition with many of its dealers. The corporate office created a _____ conflict.
A) vertical
B) problematic
C) no-win
D) horizontal
E) intermediation
Answer: A
Diff: 2 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

82) Which of the following is an example of horizontal channel conflict?
A) managers of two separate Holiday Inns disagreeing over what constitutes poor service
B) United Airlines competing with Northwest Airlines for customers
C) disgruntled factory workers complaining about a small pay raise
D) the BMW dealership in Fort Wayne complaining that the BMW dealership in Indianapolis is situated too close
E) A and D
Answer: E
Diff: 3 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

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83) Which of the following is an example of a manufacturer-sponsored retailer franchise system?
A) fast-food restaurants such as McDonald's and Burger King
B) Starbucks operating within Target stores
C) Ford and its network of independent franchised dealers
D) licensed bottlers that bottle and sell Coca-Cola to retailers
E) motels such as Holiday Inn and Ramada Inn
Answer: C
Diff: 3 Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

84) When McDonald's offers its products inside of a Wal-Mart store, it is following a _____.
A) conventional distribution channel
B) corporate VMS
C) contractual VMS
D) administered VMS
E) horizontal marketing system
Answer: C
Diff: 3 Page Ref: 345
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

85) Which of the following is an example of a multichannel distribution system?
A) Wal-Mart locating to several countries
B) J. C. Penney's catalog and retail store sales
C) Avon's door-to-door distribution
D) Starbuck's location inside of book stores
E) a hotel providing guest privileges at a health spa across the street
Answer: B
Diff: 2 Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

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86) Blockbuster offers DVD rentals through its Total Access online rental service and through its bricks-and-mortar stores. This is an example of a(n)_____.
A) contractual VMS
B) administered VMS
C) horizontal marketing system
D) conventional distribution channel
E) multichannel distribution system
Answer: E
Diff: 1 Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

87) When Netflix began delivering DVDs directly to customers through the mail instead of using a brick-and-mortar system, Netflix was following the trend of _____.
A) indirect marketing
B) disintermediation
C) a franchise system
D) exclusive distribution
E) selective distribution
Answer: B
Diff: 1 Page Ref: 347
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

88) Chewing gum is stocked in many outlets in the same market or community; in fact, it is placed in as many outlets as possible. This is an example of _____ distribution.
A) exclusive
B) selective
C) multichannel
D) intensive
E) disintermediated
Answer: D
Diff: 2 Page Ref: 351
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

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89) Which product(s) will most likely be intensively distributed?
A) Olympus digital cameras
B) BMW cars
C) Guess blue jeans
D) Coca Cola
E) Nike running shoes
Answer: D
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

90) Which product will most likely be exclusively distributed?
A) BMW cars
B) Levi's blue jeans
C) Bazooka bubble gum
D) Prairie Farms yogurt
E) Coca-Cola
Answer: A
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

91) Tiffany & Co jewelry can only be found in a limited number of intermediaries. This is an example of _____ distribution.
A) exclusive
B) intensive
C) quality
D) high-end
E) independent
Answer: A
Diff: 2 Page Ref: 351
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

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92) Why is it important for manufacturers to be sensitive to the needs of their dealers?
A) Dealers have few legal rights.
B) Poorly performing dealers will be replaced.
C) Dealers fail to provide value to the entire channel system.
D) Dealer support is essential to creating value for the customer.
E) Manufacturers cannot break commitments to channel.
Answer: D
Diff: 2 Page Ref: 353
AACSB: Analytic Skills
Skill: Application
Objective: 12-4

93) Caterpillar, the famous heavy equipment manufacturer, has a reputation for working in harmony with its worldwide distribution network of independent dealers. Caterpillar has shared its successes with its dealers and protected its dealers during difficult economic times. This is an example of _____.
A) intensive distribution
B) integrated logistics management
C) disintermediation
D) third-party logistics
E) partner relationship management
Answer: E
Diff: 2 Page Ref: 353
AACSB: Reflective Thinking
Skill: Application
Objective: 12-4

94) Max Samuelson is a high-end fashion designer who markets his clothing lines through a limited number of highly reputable retailers. Max uses _____.
A) exclusive distribution
B) exclusive dealing
C) exclusive territorial agreements
D) full-line forcing
E) tying agreements
Answer: A
Diff: 3 Page Ref: 356
AACSB: Reflective Thinking
Skill: Application
Objective: 12-4

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95) Jewels for the Rich and Famous sells very exclusive jewelry with a minimum price of $25,000 to customers around the world. Speed of delivery to distant markets is a must. Management should consider using _____ as its main carrier.
A) rail
B) air
C) truck
D) the Internet
E) water
Answer: B
Diff: 2 Page Ref: 360
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

96) Grayville Rock and Gravel, located in a seaport town, sells rock, gravel, and sand to local markets. It has just been awarded a contract with a company 500 miles down the coast. Management should consider switching from truck to _____ transport.
A) water
B) rail
C) pipeline
D) air
E) none of the above
Answer: A
Diff: 2 Page Ref: 360
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

97) When Home Depot allows key suppliers to use its stores as a testing ground for new merchandising programs, it is implementing a _____.
A) shared services
B) partnership management
C) shared projects
D) third-party project
E) cross-functional, cross-company team
Answer: C
Diff: 2 Page Ref: 362
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5

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98) UPS Supply Chain Solutions, which handles all of its clients' "grunt work" associated with logistics, is an example of _____.
A) integrated logistics management
B) a distribution center
C) selective distribution
D) a third-party logistics provider
E) a cross-functional, cross-company team
Answer: D
Diff: 2 Page Ref: 362
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5

Refer to the scenario below to answer the following questions.

Miller Meat Company contracts with several Midwestern farmers to raise beef and pork for its meat processing center. To guarantee freshness, Miller Meat Company relies on a vast distribution network. For delivery to local grocers in Indiana, Miller Meat uses its own fleet of refrigerated trucks; delivery to these Indiana grocers constitutes 65 percent of Miller Meat's business. For deliveries in Illinois, Wisconsin, and points directly west of the Mississippi River, Miller Meat Company contracts with a refrigerated fleet that specializes in expediting smaller shipments. For faster delivery during peak times, Miller Meat Company often uses its own trucks to deliver to the expedited fleet's consolidation point from its distribution warehouse in Indiana. During the holiday season, however, several specialty distributors contract with Miller Meat Company to package specialty meats in gift boxes, then ship them directly to the recipients. For these specialty shipments within Indiana, Illinois, and Wisconsin, Miller uses its normal delivery mode. For all other specialty shipments, Miller ships from its distribution warehouse via air, then contracts with expedited carriers in various cities to deliver to the recipients.

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99) Which of the following is one of Miller Meat Company's upstream partners?
A) local grocers in Indiana who sell the company's products
B) Midwestern farmers who raise beef and pork for the meat processing center
C) the refrigerated fleet that expedites small shipments
D) air carriers that take Miller's specialty shipments
E) recipients of Miller's gift boxes
Answer: B
Diff: 1 Page Ref: 337
AACSB: Reflective Thinking
Skill: Application
Objective: 12-1

100) In using air transportation and then expedited truck carriers to deliver specialty items to customers outside of a designated delivery range, Miller Meats is using _____.
A) all of its supply chain
B) all of its value delivery network
C) indirect marketing channels
D) intermodal transportation
E) a vertical marketing system
Answer: D
Diff: 2 Page Ref: 360
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5

101) Producing a product or service and making it available to buyers requires building relationships not just with customers, but also with key suppliers and resellers in the company's supply chain.
Answer: TRUE
Diff: 1 Page Ref: 337
Skill: Concept
Objective: 12-1

102) The term supply chain may be too limited because it takes a make-and-sell view of the business.
Answer: TRUE
Diff: 2 Page Ref: 338
Skill: Concept
Objective: 12-1

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103) In creating customer value, it is more important for a company to build relationships with downstream channel partners than with upstream supplier partners.
Answer: FALSE
Diff: 2 Page Ref: 338
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

104) With the success of the Internet, few producers sell through intermediaries today.
Answer: FALSE
Diff: 1 Page Ref: 339
AACSB: Use of IT
Skill: Concept
Objective: 12-1

105) Imaginative distribution systems can be used to gain a competitive advantage.
Answer: TRUE
Diff: 1 Page Ref: 339
Skill: Concept
Objective: 12-1

106) A major role played by intermediaries is to buy large quantities of products from many producers and break them down into the smaller quantities and broader assortments wanted by consumers.
Answer: TRUE
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

107) Members of the marketing channel may help a company complete transactions by performing key functions such as promotion and negotiation.
Answer: TRUE
Diff: 2 Page Ref: 340
AACSB: Communication
Skill: Concept
Objective: 12-1

108) It is safe to say that distribution channels are fairly simple behavioral systems in which people and companies interact to accomplish individual company and channel goals.
Answer: FALSE
Diff: 2 Page Ref: 342
Skill: Concept
Objective: 12-2

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109) Judy Smith is the manager of the local McDonald's franchise in Carterville. Recently the home office did not let her participate in co-op advertising like the other McDonald's in her district. Now she is irritated and demands fairness. This is an example of horizontal conflict.
Answer: FALSE
Diff: 3 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

110) In a conventional distribution channel, no channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.
Answer: TRUE
Diff: 2 Page Ref: 343
Skill: Concept
Objective: 12-3

111) When Sherwin Williams Paint Company has single ownership of integrated, successive stages of production and distribution, it has created a corporate VMS.
Answer: FALSE
Diff: 3 Page Ref: 344
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

112) When the NewWay Dry Cleaners and The Easy Laundromat in your hometown join forces to follow a new marketing opportunity, they are forming a horizontal marketing system.
Answer: TRUE
Diff: 2 Page Ref: 345
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

113) Always Fresh Produce Company has a route selling to more than 100 groceries, schools, and restaurants at wholesale prices. Last week the owners opened up a walk-in discounted consumer produce outlet. Always is now using a multichannel distribution system.
Answer: TRUE
Diff: 2 Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

114) Disintermediation as a trend is on the rise in U.S. business.
Answer: TRUE
Diff: 1 Page Ref: 347
Skill: Concept
Objective: 12-3

115) Disintermediation has occurred when an online marketer takes business away from traditional brick-and-mortar retailers.
Answer: TRUE
Diff: 2 Page Ref: 347
Skill: Concept
Objective: 12-3

116) The faster the delivery, the greater the assortment provided, and the more add-on services supplied, the more the channel's service level is restricted.
Answer: FALSE
Diff: 2 Page Ref: 349
Skill: Concept
Objective: 12-3

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117) Intensive distribution seeks many outlets in a market, while selective distribution seeks only one outlet in a given market area.
Answer: FALSE
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

118) The producer and intermediaries need to agree on the terms and responsibilities of each member, including price policies, conditions of sale, territorial rights, and specific services to be performed by each party.
Answer: TRUE
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

119) Generally speaking, a company's marketing channel objectives are influenced by the level of customer service sought, the nature of the company, its products, its marketing intermediaries, its competitors, and the environment.
Answer: TRUE
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3

120) Distribution systems are relatively consistent from county to country, making it easy for international marketers to design channels.
Answer: FALSE
Diff: 2 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

121) Under the strategy of exclusive distribution, a seller allows only certain retail outlets to carry its products.
Answer: TRUE
Diff: 2 Page Ref: 356
Skill: Concept
Objective: 12-4

122) Some major corporations such as Procter & Gamble and General Motors have developed logistics systems that both maximize customer service and minimize distribution costs.
Answer: FALSE
Diff: 3 Page Ref: 357
Skill: Concept
Objective: 12-5

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123) The key to managing inventory is to balance the costs and benefits of holding larger inventories with the costs and benefits of holding less.
Answer: TRUE
Diff: 3 Page Ref: 359
Skill: Concept
Objective: 12-5

124) When shipping large amounts of bulk products such as forest products, coal, sand, or rock over long distances, a company should choose large trucks because of their low cost per ton shipped.
Answer: FALSE
Diff: 1 Page Ref: 360
AACSB: Analytic Skills
Skill: Concept
Objective: 12-5

125) Integrated logistics management aims to provide better customer service and trim distribution costs through teamwork, both inside the company and among all the marketing channel organizations.
Answer: TRUE
Diff: 2 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

126) Explain why "value delivery network" is a more relevant expression to use than the terms supply chain and demand chain.
Answer: Supply chain takes a make-and-sell view of the business, using materials and other inputs as the starting point for market planning instead of the needs of target customers. Demand chain takes a sense-and-respond view, starting with the needs of target customers and planning a chain of resources and activities with the goal of creating customer value. However, a demand chain is a step-by-step, linear view of purchase-production-consumption activities. This does not allow for the flexibility made possible by the Internet and other technologies. Value delivery network is more appropriate because it is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve the performance of the entire system.
Diff: 1 Page Ref: 338
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

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127) How do channel members add value to a marketing system?
Answer: Intermediaries reduce the amount of work that must be done by both producers and consumers. They transform the assortment of products made by producers into the assortment wanted by consumers. They buy large quantities from many producers and break them down into the smaller quantities and broader assortments wanted by consumers. Intermediaries help to match supply and demand. Channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who would use them.
Diff: 2 Page Ref: 339
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

128) What are the eight key functions that members of the marketing channel perform?
Answer: Some help to complete transactions by gathering and distributing information, developing and spreading promotions, contacting prospective buyers, matching and shaping the offer to the buyer's needs, and negotiating price and other terms. Others help to fulfill the completed transactions through physical distribution, financing, and risk taking.
Diff: 2 Page Ref: 340
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

129) Compare and contrast a conventional distribution channel with a vertical marketing system (VMS).
Answer: A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits, even at the expense of the system as a whole. No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict. On the other hand, a vertical marketing system is a unified system made up of producers, wholesalers, and retailers. While members of a conventional distribution channel seek to maximize their own profits, members of a vertical marketing system all cooperate because either one member owns the others, one has contracts with the others, or one wields a more power than the others.
Diff: 3 Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

130) Why are multichannel distribution systems gaining popularity today?
Answer: Multichannel distribution systems exist when a single firm sets up two or more marketing channels to reach one or more customer segments. Such a system offers advantages to firms facing large and complex markets. It allows the firms to expand sales and market coverage. It allows firms to tailor their products and services to the specific needs of diverse customer segments. Larger bottom-line profits may occur.
Diff: 2 Page Ref: 346
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

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131) How have changes in technology and the growth of online marketing affected the design of marketing channels?
Answer: Changes in technology and the growth of online marketing have increased disintermediation, which is the cutting out of marketing channel intermediaries by product or service producers, or the displacement of traditional intermediaries with radically new types. In many industries, traditional intermediaries are dropping by the wayside. For example, many airlines now sell directly to final buyers, cutting retailers and sales agents from their marketing channels. Online marketers take business from traditional brick-and-mortar retailers.
Diff: 2 Page Ref: 347
AACSB: Use of IT
Skill: Application
Objective: 12-2

132) Distinguish between the three distribution strategies.
Answer: Producers of convenience products and common raw materials typically seek intensive distribution as a strategy to stock their products in as many outlets as possible. The goods are available where and when consumers want them, such as chewing gum. Selective distribution is used when selling to more than one but fewer than all of the intermediaries who are willing to carry a company's products in a given market. Examples are name-brand blue jeans and computers. Exclusive distribution is used when the producer wants to stock its products with only one or a few dealers in an area. Examples are expensive cars and prestige clothing.
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

133) Explain how companies select, motivate, and evaluate channel members.
Answer: When selecting intermediaries, the company should evaluate each channel member's qualifications and select those who best fit its channel objectives. The company should use economic criteria, control issues, and adaptive criteria to analyze each possible channel member. Once selected, channel members must be continuously motivated to do their best. The company must sell not only *through* the intermediaries but also *to* and *with* them. It should work to forge long-term partnerships with channel partners to create a marketing system that meets the needs of both the manufacturer and the partners. The company must also regularly check channel member performance against established performance standards, rewarding intermediaries who are performing well and assisting or replacing weaker ones.
Diff: 2 Page Ref: 352
AACSB: Analytic Skills
Skill: Application
Objective: 12-4

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134) Discuss how public policy affects distribution decisions.
Answer: For the most part, companies are legally free to develop whatever channel arrangement suits them, as long as they do not substantially lessen competition or tend to create a monopoly, and as long as both parties enter into the agreement voluntarily. Exclusive territorial agreements in which a producer attempts to keep a dealer from selling outside of a designated territory have become a major legal issue. Producers are free to select their dealers, but they must have legitimate cause to terminate a relationship with a dealer.
Diff: 3 Page Ref: 355-356
AACSB: Ethical Reasoning
Skill: Application
Objective: 12-4

135) Why are more and more companies turning to third-party logistics providers (3PLs)?
Answer: A third-party logistics provider is an independent company that performs any or all of the functions required to get a producer's product to market, helping clients to tighten up sluggish, overstuffed supply chains, slash inventories, and get products to customers more quickly and reliably. Companies use third-party logistics providers because getting the product to market is the main focus of 3PLs, so they can often do it more efficiently and at a lower cost. Second, outsourcing logistics frees a company to focus more intensely on its core business. Finally, integrated logistics companies understand increasingly complex logistics environments. For example, third-party logistics partners can be especially helpful to companies attempting to expand their global market coverage.
Diff: 3 Page Ref: 362
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

136) What is the role of marketing intermediaries?
Answer: The role of marketing intermediaries is to transform the assortments of products made by producers into the assortments wanted by consumers.
Diff: 1 Page Ref: 340
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

137) Give an example of horizontal conflict.
Answer: This type of conflict occurs among firms at the same level of the channel; an example would be two Chevrolet dealers in the St. Louis area that complain that each is being undercut by the other.
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

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138) Give an example of vertical conflict.
Answer: This type of conflict occurs between different levels of the same channel; an example would be conflict created by a manufacturer toward its dealers when deciding to open an online operation.
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

139) Explain channel power in a conventional distribution channel.
Answer: No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.
Diff: 2 Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

140) Explain channel power in a vertical marketing system.
Answer: One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.
Diff: 2 Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

141) How can a firm benefit from involvement in a contractual VMS?
Answer: A contractual VMS consists of independent firms at different levels of production and distribution that join together through contracts to obtain more economies or sales impact than each could achieve alone.
Diff: 3 Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

142) How can a firm benefit from participating in a horizontal marketing system?
Answer: Two or more companies at one level join together to follow a new marketing opportunity; by working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.
Diff: 3 Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

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143) Give two examples of multichannel distribution systems.
Answer: Students' answers will vary. Examples will include J. C. Penney's catalog distribution option and the retail store locations as well as Avon's door-to-door distribution and over-the-counter distribution options.
Diff: 2 Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

144) What types of products are intensively distributed?
Answer: These products must be available where and when consumers want them; examples include chewing gum, soft drinks, toothpaste, and candy.
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

145) What types of products are exclusively distributed?
Answer: Exclusive distribution is often used for expensive automobiles and prestige clothing. These products are geographically dispersed.
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

146) What types of products are selectively distributed?
Answer: With this type of distribution, more than one, but fewer than all, of the intermediaries who are willing to carry a company's products are used. Products include appliances and some name-brand clothing.
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

147) What are two considerations when selecting intermediaries?
Answer: A company may want to evaluate each channel member's years in business, other lines carried, growth and profit records, cooperativeness, and reputation.
Diff: 3 Page Ref: 353
AACSB: Analytic Skills
Skill: Application
Objective: 12-4

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148) When would an exclusive dealing contract be legally problematic?
Answer: An exclusive dealing contract may be illegal if one party has not voluntarily agreed to the contract, or if the arrangement substantially lessens competition or tends to create a monopoly.
Diff: 3 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Application
Objective: 12-4

149) How can a company benefit through a just-in-time logistics system?
Answer: With such systems, producers and retailers carry only small inventories of parts or merchandise, often only enough for a few days of operations. This creates substantial savings in inventory-carrying and handling costs.
Diff: 2 Page Ref: 359
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

150) Explain why a firm's suppliers tap into the firm's inventory levels with a vendor-managed inventory system (VMI).
Answer: Some suppliers might actually be asked to generate orders and arrange deliveries for their customers, based on the customers' inventory levels; in these cases, the suppliers must know their customers' inventory levels.
Diff: 3 Page Ref: 361
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

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